

117TH CONGRESS
2D SESSION

S. 3779

To establish a clear and uniform process, on a nationwide basis, for replacing the London interbank offered rate in existing contracts, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 8 (legislative day, MARCH 7), 2022

Mr. TESTER (for himself, Mr. TILLIS, Mr. BROWN, Mr. TOOMEY, Mr. ROUNDS, Mr. REED, Mr. HAGERTY, and Mr. WARNER) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To establish a clear and uniform process, on a nationwide basis, for replacing the London interbank offered rate in existing contracts, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Adjustable Interest
5 Rate (LIBOR) Act”.

6 **SEC. 2. FINDINGS AND PURPOSE.**

7 (a) FINDINGS.—Congress finds that—

1 (1) LIBOR is used as a benchmark rate in
2 more than \$200,000,000,000 worth of contracts
3 worldwide;

4 (2) a significant number of existing contracts
5 that reference LIBOR do not provide for the use of
6 a clearly defined or practicable replacement bench-
7 mark rate when LIBOR is discontinued; and

8 (3) the cessation or nonrepresentativeness of
9 LIBOR could result in disruptive litigation related
10 to existing contracts that do not provide for the use
11 of a clearly defined or practicable replacement
12 benchmark rate.

13 (b) PURPOSE.—It is the purpose of this Act—

14 (1) to establish a clear and uniform process, on
15 a nationwide basis, for replacing LIBOR in existing
16 contracts the terms of which do not provide for the
17 use of a clearly defined or practicable replacement
18 benchmark rate, without affecting the ability of par-
19 ties to use any appropriate benchmark rate in new
20 contracts;

21 (2) to preclude litigation related to existing con-
22 tracts the terms of which do not provide for the use
23 of a clearly defined or practicable replacement
24 benchmark rate;

5 (4) to address LIBOR references in Federal
6 law.

7 SEC. 3. DEFINITIONS.

8 In this Act:

1 (4) BENCHMARK REPLACEMENT CONFORMING
2 CHANGES.—The term “benchmark replacement con-
3 forming changes” means any technical, administra-
4 tive, or operational changes, alterations, or modifica-
5 tions that—

6 (A) the Board determines, in its discretion,
7 would address 1 or more issues affecting the
8 implementation, administration, and calculation
9 of the Board-selected benchmark replacement in
10 LIBOR contracts; or

11 (B) solely with respect to a LIBOR con-
12 tract that is not a consumer loan, in the rea-
13 sonable judgment of a calculating person, are
14 otherwise necessary or appropriate to permit
15 the implementation, administration, and cal-
16 culation of the Board-selected benchmark re-
17 placement under or with respect to a LIBOR
18 contract after giving due consideration to any
19 benchmark replacement conforming changes
20 under subparagraph (A).

21 (5) BOARD.—The term “Board” means the
22 Board of Governors of the Federal Reserve System.

23 (6) BOARD-SELECTED BENCHMARK REPLACE-
24 MENT.—The term “Board-selected benchmark re-
25 placement” means a benchmark replacement identi-

1 fied by the Board that is based on SOFR, including
2 any tenor spread adjustment pursuant to section
3 4(e).

4 (7) CALCULATING PERSON.—The term “calcul-
5 lating person” means, with respect to any LIBOR
6 contract, any person, including the determining per-
7 son, responsible for calculating or determining any
8 valuation, payment, or other measurement based on
9 a benchmark.

10 (8) CONSUMER; CREDIT.—The terms “con-
11 sumer” and “credit” have the meanings given the
12 terms in section 103 of the Truth in Lending Act
13 (15 U.S.C. 1602).

14 (9) CONSUMER LOAN.—The term “consumer
15 loan” means a consumer credit transaction.

16 (10) DETERMINING PERSON.—The term “deter-
17 mining person” means, with respect to any LIBOR
18 contract, any person with the authority, right, or ob-
19 ligation, including on a temporary basis (as identi-
20 fied by the LIBOR contract or by the governing law
21 of the LIBOR contract, as appropriate) to determine
22 a benchmark replacement.

23 (11) Fallback provisions.—The term “fall-
24 back provisions” means terms in a LIBOR contract
25 for determining a benchmark replacement, including

1 any terms relating to the date on which the bench-
2 mark replacement becomes effective.

3 (12) IBOR.—The term “IBOR” means
4 LIBOR, any tenor of non-U.S. dollar currency rates
5 formerly known as the London interbank offered
6 rate as administered by ICE Benchmark Adminis-
7 tration Limited (or any predecessor or successor ad-
8 ministrator thereof), and any other interbank offered
9 rates that are expected to cease.

10 (13) IBOR BENCHMARK REPLACEMENT.—The
11 term “IBOR benchmark replacement” means a
12 benchmark, or an interest rate or dividend rate
13 (which may or may not be based in whole or in part
14 on a prior setting of an IBOR), to replace an IBOR
15 or any interest rate or dividend rate based on an
16 IBOR, whether on a temporary, permanent, or in-
17 definite basis, under or with respect to an IBOR
18 contract.

19 (14) IBOR CONTRACT.—The term “IBOR con-
20 tract” means any contract, agreement, indenture, or-
21 ganizational document, guarantee, mortgage, deed of
22 trust, lease, security (whether representing debt or
23 equity, including any interest in a corporation, a
24 partnership, or a limited liability company), instru-
25 ment, or other obligation or asset that, by its terms,

1 continues in any way to use an IBOR as a bench-
2 mark.

3 (15) LIBOR.—The term “LIBOR”—

4 (A) means the overnight and 1-, 3-, 6-,
5 and 12-month tenors of U.S. dollar LIBOR
6 (formerly known as the London interbank of-
7 fered rate) as administered by ICE Benchmark
8 Administration Limited (or any predecessor or
9 successor administrator thereof); and

10 (B) does not include the 1-week or 2-
11 month tenors of U.S. dollar LIBOR.

12 (16) LIBOR CONTRACT.—The term “LIBOR
13 contract” means any contract, agreement, indenture,
14 organizational document, guarantee, mortgage, deed
15 of trust, lease, security (whether representing debt
16 or equity, including any interest in a corporation, a
17 partnership, or a limited liability company), instru-
18 ment, or other obligation or asset that, by its terms,
19 uses LIBOR as a benchmark.

20 (17) LIBOR REPLACEMENT DATE.—The term
21 “LIBOR replacement date” means the first London
22 banking day after June 30, 2023, unless the Board
23 determines that any LIBOR tenor will cease to be
24 published or cease to be representative on a different
25 date.

(18) SECURITY.—The term “security” has the meaning given the term in section 2(a) of the Securities Act of 1933 (15 U.S.C. 77b(a)).

(20) TENOR SPREAD ADJUSTMENT.—The term “tenor spread adjustment” means—

- 10 (A) 0.00644 percent for overnight LIBOR;
11 (B) 0.11448 percent for 1-month LIBOR;
12 (C) 0.26161 percent for 3-month LIBOR;
13 (D) 0.42826 percent for 6-month LIBOR;
14 and
15 (E) 0.71513 percent for 12-month LIBOR.

16 SEC. 4. LIBOR CONTRACTS.

17 (a) IN GENERAL.—On the LIBOR replacement date,
18 the Board-selected benchmark replacement shall be the
19 benchmark replacement for any LIBOR contract that,
20 after giving any effect to subsection (b)—

- 21 (1) contains no fallback provisions; or

22 (2) contains fallback provisions that identify

23 neither—

24 (A) a specific benchmark replacement; nor

25 (B) a determining person.

1 (b) FALBACK PROVISIONS.—On the LIBOR re-
2 placement date, any reference in the fallback provisions
3 of a LIBOR contract to—

4 (1) a benchmark replacement that is based in
5 any way on any LIBOR value, except to account for
6 the difference between LIBOR and the benchmark
7 replacement; or

8 (2) a requirement that a person (other than a
9 benchmark administrator) conduct a poll, survey, or
10 inquiries for quotes or information concerning inter-
11 bank lending or deposit rates;

12 shall be disregarded as if not included in the fallback pro-
13 visions of such LIBOR contract and shall be deemed null
14 and void and without any force or effect.

15 (c) AUTHORITY OF DETERMINING PERSON.—

16 (1) IN GENERAL.—Subject to subsection (f)(2),
17 a determining person may select the Board-selected
18 benchmark replacement as the benchmark replace-
19 ment.

20 (2) SELECTION.—Any selection by a deter-
21 mining person of the Board-selected benchmark re-
22 placement pursuant to paragraph (1) shall be—

23 (A) irrevocable;

24 (B) made by the earlier of the LIBOR re-
25 placement date and the latest date for selecting

1 a benchmark replacement according to the
2 terms of the LIBOR contract; and

3 (C) used in any determinations of the
4 benchmark under or with respect to the LIBOR
5 contract occurring on and after the LIBOR re-
6 placement date.

7 (3) NO SELECTION.—If a determining person
8 does not select a benchmark replacement by the date
9 specified in paragraph (2)(B), the Board-selected
10 benchmark replacement, on and after the LIBOR re-
11 placement date, shall be the benchmark replacement
12 for the LIBOR contract.

13 (d) CONFORMING CHANGES.—

14 (1) IN GENERAL.—If the Board-selected bench-
15 mark replacement becomes the benchmark replace-
16 ment for a LIBOR contract pursuant to subsection
17 (a) or (c), all benchmark replacement conforming
18 changes shall become an integral part of the LIBOR
19 contract.

20 (2) NO CONSENT REQUIRED.—A calculating
21 person shall not be required to obtain consent from
22 any other person prior to the adoption of benchmark
23 replacement conforming changes.

24 (e) ADJUSTMENT BY BOARD.—

1 (1) IN GENERAL.—Except as provided in para-
2 graph (2), on the LIBOR replacement date, the
3 Board shall adjust the Board-selected benchmark re-
4 placement for each category of LIBOR contract that
5 the Board may identify to include the relevant tenor
6 spread adjustment.

7 (2) CONSUMER LOANS.—For LIBOR contracts
8 that are consumer loans, the Board shall adjust the
9 Board-selected benchmark replacement as follows:

10 (A) During the 1-year period beginning on
11 the LIBOR replacement date, incorporate an
12 amount, to be determined for any business day
13 during that period, that transitions linearly
14 from the difference between the Board-selected
15 benchmark replacement and the corresponding
16 LIBOR tenor determined as of the day imme-
17 diately before the LIBOR replacement date to
18 the relevant tenor spread adjustment.

19 (B) On and after the date that is 1 year
20 after the LIBOR replacement date, incorporate
21 the relevant tenor spread adjustment.

22 (f) RULE OF CONSTRUCTION.—Nothing in this Act
23 may be construed to alter or impair—

24 (1) any written agreement specifying that a
25 LIBOR contract shall not be subject to this Act;

1 (2) except as provided in subsection (b), any
2 LIBOR contract that contains fallback provisions
3 that identify a benchmark replacement that is not
4 based in any way on any LIBOR value (including
5 the prime rate or the effective Federal funds rate);
6 (3) except as provided in subsection (b) or
7 (c)(3), any LIBOR contract subject to subsection
8 (c)(1) as to which a determining person does not
9 elect to use a Board-selected benchmark replacement
10 pursuant to that subsection;
11 (4) the application to a Board-selected bench-
12 mark replacement of any cap, floor, modifier, or
13 spread adjustment to which LIBOR had been sub-
14 ject pursuant to the terms of a LIBOR contract;
15 (5) any provision of Federal consumer financial
16 law that—
17 (A) requires creditors to notify borrowers
18 regarding a change-in-terms; or
19 (B) governs the reevaluation of rate in-
20 creases on credit card accounts under open-
21 ended (not home-secured) consumer credit
22 plans; or
23 (6) except as provided in section 5(c), the rights
24 or obligations of any person, or the authorities of
25 any agency, under Federal consumer financial law,

1 as defined in section 1002 of the Consumer Financial
2 Protection Act of 2010 (12 U.S.C. 5481).

3 **SEC. 5. CONTINUITY OF CONTRACT AND SAFE HARBOR.**

4 (a) IN GENERAL.—A Board-selected benchmark re-
5 placement and the selection or use of a Board-selected
6 benchmark replacement as a benchmark replacement
7 under or with respect to a LIBOR contract, and any
8 benchmark replacement conforming changes, shall con-
9 stitute—

10 (1) a commercially reasonable replacement for
11 and a commercially substantial equivalent to
12 LIBOR;

13 (2) a reasonable, comparable, or analogous rate,
14 index, or term for LIBOR;

15 (3) a replacement that is based on a method-
16 ology or information that is similar or comparable to
17 LIBOR;

18 (4) substantial performance by any person of
19 any right or obligation relating to or based on
20 LIBOR; and

21 (5) a replacement that has historical fluctua-
22 tions that are substantially similar to those of
23 LIBOR for purposes of the Truth in Lending Act
24 (15 U.S.C. 1601 note) and regulations promulgated
25 under that Act.

1 (b) NO IMPAIRMENT.—Neither the selection or use
2 of a Board-selected benchmark replacement as a bench-
3 mark replacement nor the determination, implementation,
4 or performance of benchmark replacement conforming
5 changes under section 4 may—

6 (1) be deemed to impair or affect the right of
7 any person to receive a payment, or to affect the
8 amount or timing of such payment, under any
9 LIBOR contract; or

10 (2) have the effect of—

11 (A) discharging or excusing performance
12 under any LIBOR contract for any reason,
13 claim, or defense (including any force majeure
14 or other provision in any LIBOR contract);

15 (B) giving any person the right to unilater-
16 ally terminate or suspend performance under
17 any LIBOR contract;

18 (C) constituting a breach of any LIBOR
19 contract; or

20 (D) voiding or nullifying any LIBOR con-
21 tract.

22 (c) SAFE HARBOR.—No person shall be subject to
23 any claim or cause of action in law or equity or request
24 for equitable relief, or have liability for damages, arising
25 out of—

- (1) the selection or use of a Board-selected benchmark replacement,
- (2) the implementation of benchmark replacement conforming changes, or
- (3) with respect to a LIBOR contract that is not a consumer loan, the determination of benchmark replacement conforming changes,

in each case after giving effect to the provisions of section 4; provided, however, that in each case any person (including a calculating person) shall remain subject to the terms of a LIBOR contract that are not affected by this Act and any existing legal, regulatory, or contractual obligations to correct servicing or other ministerial errors under or with respect to a LIBOR contract.

15 (d) SELECTION.—The selection or use of a Board-
16 selected benchmark replacement or the determination, im-
17 plementation, or performance of benchmark replacement
18 conforming changes under section 4 shall not be deemed
19 to—

20 (1) be an amendment or modification of any
21 LIBOR contract; or
22 (2) prejudice, impair, or affect the rights, inter-
23 ests, or obligations of any person under or with re-
24 spect to any LIBOR contract.

1 (e) NO NEGATIVE INFERENCE.—Except as provided
2 in subsection (a), (b), or (c)(1) of section 4, nothing in
3 this Act may be construed to create any negative inference
4 or negative presumption regarding the validity or enforce-
5 ability of—

6 (1) any benchmark replacement (including any
7 method for calculating, determining, or imple-
8 menting an adjustment to the benchmark replace-
9 ment to account for any historical differences be-
10 tween LIBOR and the benchmark replacement) that
11 is not a Board-selected benchmark replacement; or
12 (2) any changes, alterations, or modifications to
13 or with respect to a LIBOR contract that are not
14 benchmark replacement conforming changes.

15 **SEC. 6. BENCHMARK FOR LOANS.**

16 (a) DEFINITIONS.—In this section:

17 (1) BANK.—The term “bank” means an insti-
18 tution subject to examination by a Federal financial
19 institutions regulatory agency.

20 (2) COVERED ACTION.—The term “covered ac-
21 tion” means—

22 (A) the initiation by a Federal supervisory
23 agency of an enforcement action, including the
24 issuance of a cease-and-desist order; or

18 (5) NON-IBOR LOAN.—The term “non-IBOR
19 loan” means any loan that, by its terms, does not
20 use in any way LIBOR, any tenor of non-U.S. dollar
21 currency rates formerly known as the London inter-
22 bank offered rate as administered by ICE Bench-
23 mark Administration Limited (or any predecessor or
24 successor administrator thereof), and any other

1 interbank offered rates that are expected to cease, as
2 a benchmark.

3 (b) BENCHMARKS USED BY BANKS.—With respect to
4 a benchmark used by a bank—

5 (1) the bank, in any non-IBOR loan made be-
6 fore, on, or after the date of enactment of this Act,
7 may use any benchmark, including a benchmark
8 that is not SOFR, that the bank determines to be
9 appropriate for the funding model of the bank; the
10 needs of the customers of the bank; and the prod-
11 ucts, risk profile, risk management capabilities, and
12 operational capabilities of the bank; provided, how-
13 ever, that the use of any benchmark shall remain
14 subject to the terms of the non-IBOR loan, and ap-
15 plicable law; and

16 (2) no Federal supervisory agency may take
17 any covered action against the bank solely because
18 that benchmark is not SOFR.

19 **SEC. 7. PREEMPTION.**

20 This Act, and regulations promulgated under this
21 Act, shall supersede any provision of any State or local
22 law, statute, rule, regulation, or standard—

23 (1) relating to the selection or use of a bench-
24 mark replacement or related conforming changes; or

(2) expressly limiting the manner of calculating interest, including the compounding of interest, as that provision applies to the selection or use of a Board-selected benchmark replacement or benchmark replacement conforming changes.

6 SEC. 8. TRUST INDENTURE ACT OF 1939.

7 Section 316(b) of the Trust Indenture Act of 1939
8 (15 U.S.C. 77ppp(b)) is amended—

(1) by striking “, except as” and inserting “,
except—

11 “(1) as”;

14 “(2) that”;

17 (4) by adding at the end the following:

18 “(3) that the right of any holder of any indenture security to receive payment of the principal of and interest on such indenture security shall not be deemed to be impaired or affected by any change occurring by the application of section 4 of the Adjustable Interest Rate (LIBOR) Act to any indenture security.”.

1 SEC. 9. AMENDMENT TO THE HIGHER EDUCATION ACT OF

2 **1965.**

3 Section 438(b)(2)(I) of the Higher Education Act of
4 1965 (20 U.S.C. 1087–1(b)(2)(I)) is amended by adding
5 at the end the following:

6 “(viii) REVISED CALCULATION RULE
7 TO ADDRESS INSTANCES WHERE 1-MONTH
8 USD LIBOR CEASES OR IS NON-REP-
9 RESENTATIVE.—

10 “(I) SUBSTITUTE REFERENCE
11 INDEX.—The provisions of this clause
12 apply to loans for which the special al-
13 lowance payment would otherwise be
14 calculated pursuant to clause (vii).

15 “(II) CALCULATION BASED ON
16 SOFR.—For loans described in sub-
17 clause (III) or (IV), the special allow-
18 ance payment described in this sub-
19 clause shall be substituted for the
20 payment provided under clause (vii).

21 For each calendar quarter, the for-
22 mula for computing the special allow-
23 ance that would otherwise apply under
24 clause (vii) shall be revised by sub-
25 stituting ‘of the quotes of the 30-day
26 Average Secured Overnight Financing

1 Rate (SOFR) in effect for each of the
2 days in such quarter as published by
3 the Federal Reserve Bank of New
4 York (or a successor administrator),
5 adjusted daily by adding the tenor
6 spread adjustment, as that term is de-
7 fined in the Adjustable Interest Rate
8 (LIBOR) Act, for 1-month LIBOR
9 contracts of 0.11448 percent' for 'of
10 the 1-month London Inter Bank Of-
11 fered Rate (LIBOR) for United
12 States dollars in effect for each of the
13 days in such quarter as compiled and
14 released by the British Bankers Asso-
15 ciation'. The special allowance calcula-
16 tion for loans subject to clause (vii)
17 shall otherwise remain in effect.

the beneficial owner of the loan) at any time after the effective date of this clause notifies the Secretary that the holder or beneficial owner affirmatively and permanently elects to waive all contractual, statutory, or other legal rights to a special allowance paid under clause (vii) or to the special allowance paid pursuant to any other formula that was previously in effect with respect to such loan, and accepts the rate described in subclause (II). Any such waiver shall apply to all loans then held, or to be held from time to time, by such holder or beneficial owner; provided that, due to the need to obtain the approval of, demonstrated to the satisfaction of the Secretary—

“(aa) one or more third parties with a legal or beneficial interest in loans eligible for the SOFR-based calculation; or

“(bb) a nationally recognized rating organization assign-

“(IV) FALBACK PROVISIONS.—

1 a special allowance payment
2 under clause (vii) with respect to
3 a portfolio with an effective date
4 of the waiver prior to the first
5 of—

6 “(AA) the date on
7 which the ICE Benchmark
8 Administration ('IBA') has
9 permanently or indefinitely
10 stopped providing the 1-
11 month United States Dollar
12 LIBOR ('1-month USD
13 LIBOR') to the general pub-
14 lic;

15 “(BB) the effective
16 date of an official public
17 statement by the IBA or its
18 regulator that the 1-month
19 USD LIBOR is no longer
20 reliable or no longer rep-
21 resentative; or

22 “(CC) the LIBOR re-
23 placement date, as defined
24 in section 3 of the Adjust-

1 **SEC. 10. RULEMAKING.**

2 Not later than 180 days after the date of enactment
3 of this Act, the Board shall promulgate regulations to
4 carry out this Act.

